

Message Text

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ORIGIN COME-00

INFO OCT-01 CIAE-00 DODE-00 EB-08 NSAE-00 ICA-11
TRSE-00 EUR-12 DOE-15 ISO-00 SOE-02 /049 R

DRAFTED BY COM/OEA MTHOMPSON:JLB
APPROVED BY EB/EWT BRUFURNES
EPWALINSKY, DIR/PPD/OEA/BTR
-----047425 072152Z /61

R 071538Z JUL 78
FM SECSTATE WASHDC
TO AMEMBASSY BELGRADE

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EXCON

E.O. 11652: N/A

TAGS: ESTC, YO

SUBJECT: PRE-LICENSE CHECKS ON PROSPECTIVE BULK LICENSE
CUSTOMERS

REFS: 1) BELGRADE 1641, 2) BELGRADE 3817

1) IN REF 1 EMBASSY REQUESTED GUIDANCE ON INFORMATION TO
BE FURNISHED AND ON FORMAT FOR SUBMISSION OF REPORTS ON
PROSPECTIVE YUGOSLAV PARTICIPANTS IN COMMERCE BULK LICENSE
PROCEDURES (FORMS DIB-625 AND DIB-678). COMMERCE REGRETS
DELAY IN REPLYING, WHICH IS DUE TO THE FACT THAT FOR UN-
EXPLAINED REASONS, IT NEVER RECEIVED REF 1 AND WAS UNAWARE
OF IT UNTIL RECEIPT OF REF 2. COMMERCE IS USING OCCASION
ALSO TO FURNISH GENERAL BACKGROUND INFORMATION ON SUBJECT.

2) THE BASIC FOREIGN SERVICE GUIDANCE ON PRE-LICENSE
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CHECKS, BOTH SPECIFIC EXPORT TRANSACTIONS AND CHECKS ON
GENERAL INTEGRITY & RELIABILITY (I&R) OF FOREIGN RECIPIENTS
OF STRATEGIC U.S. GOODS, BUT PREDOMINANTLY THE FORMER,
IS CHAPTER 413 OF ECONOMIC DEFENSE OFFICERS MANUAL.
ALTHOUGH NOT REVISED SINCE 1963, CHAPTER IS STILL UP TO
DATE WITH EXCEPTION OF CERTAIN NOMENCLATURE CHANGES.
COMMERCIAL INTELLIGENCE DIVISION (CID), NOW CALLED EXPORT

INFORMATION DIVISION, NO LONGER COORDINATES PL CHECKS IN

WASHINGTON. THE CID BRANCH RESPONSIBLE FOR THIS FUNCTION HAS BEEN TRANSFERRED TO THE COMPLIANCE DIVISION (FORMERLY EXPORT CONTROL INVESTIGATION DIVISION) OF THE OFFICE OF EXPORT ADMINISTRATION, SO THAT OEA ITSELF COORDINATES ALL PL CHECKS. EXCEPTIONALLY IN THE CASE OF YUGOSLAVIA, THE PL CHECKS ARE HANDLED BY OEA'S POLICY PLANNING DIVISION. EXPORT INFORMATION DIVISION, IN A DIFFERENT COMMERCE BUREAU, CONTINUES TO HANDLE WORLD TRADE DIRECTORY REPORTS AND OTHER COMMERCIAL INFORMATION GATHERING FUNCTIONS.

3) WHEN AFTER AN INTERVAL, YUGOSLAV CUSTOMERS WERE AGAIN MADE ELIGIBLE IN 1969 TO RECEIVE STRATEGIC U.S. GOODS FROM U.S. COMPANY WAREHOUSES LOCATED ABROAD (EXPORT ADMINISTRATION REGULATIONS SECTION 373.4), IT WAS CONDITIONED ON EACH NEW CUSTOMER BEING PRE-LICENSE CHECKED BY EMBASSY. SUBSEQUENT ADDITION OF YUGOSLAVIA TO STILL MORE LIBERAL DISTRIBUTION LICENSE PROCEDURE (EAR 373.3) MADE PL CHECKS EVEN MORE IMPORTANT. DISTRIBUTION LICENSE, WHICH PERMITS SHIPMENTS DIRECTLY FROM U.S. TO FOREIGN DISTRIBUTORS UNDER A 2-YEAR AUTHORIZATION HAS BECOME THE MORE COMMON OF THE TWO LICENSES AND IS REPLACING A NUMBER OF THE FOREIGN-BASED WAREHOUSES.

4) THE INFORMATION WHICH COMMERCE NORMALLY DESIRES ON LIMITED OFFICIAL USE

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PROSPECTIVE BULK CUSTOMERS IS WHETHER THEY ARE AWARE OF U.S. REGULATIONS (ESSENTIALLY THAT THE GOODS ARE FOR LOCAL CONSUMPTION AND NOT FOR REEXPORT) AND ARE DISPOSED TO COMPLY WITH SUCH REGULATIONS. CERTAIN PARTICIPANTS IN THE DISTRIBUTION LICENSE PROCEDURE, SUCH AS AGENTS AND DISTRIBUTORS, ARE ALSO REQUIRED TO MAINTAIN RECORDS OF REALES, WHICH RECORDS MUST BE MADE AVAILABLE UPON REQUEST FOR INSPECTION PURPOSES. SUCH PARTICIPANTS ALREADY FURNISH WRITTEN STATEMENTS THAT THEY WILL COMPLY WITH U.S. EXPORT ADMINISTRATION REGULATIONS. MOREOVER, YUGOSLAV END-USE CERTIFICATES FURNISHED WITH EACH BULK LICENSE IMPORT, PROHIBIT REEXPORT. NONETHELESS, COMMERCE BELIEVES THAT THE VERY LIBERAL EXPORT PROVISIONS OF THESE PROCEDURES MAKE NECESSARY THE EXTRA PRECAUTION OF THE I&R CHECKS IN THE CASE OF YUGOSLAVIA. ALTHOUGH DISTRIBUTION LICENSE PROCEDURE INCORPORATES A PROVISION PERMITTING FREE REEXPORTS AMONG THE VARIOUS DISTRIBUTORS OF THE U.S. SUPPLIER, THIS IS NOT POSSIBLE IN THE CASE OF YUGOSLAVIA ON ACCOUNT OF THE RESTRICTION IN THE EUC, A RESTRICTION WHICH COMMERCE LIKEWISE FINDS APPROPRIATE FOR YUGOSLAVIA.

5) INSOFAR AS EMBASSY VISITS TO YUGOSLAV CUSTOMERS FOR

THESE PL CHECKS IS CONCERNED, COMMERCE IS AWARE THAT THIS MIGHT CREATE A PROBLEM FOR THE CHAMBER OF ECONOMY, WHICH IS RESPONSIBLE FOR ALL YUGOSLAV PRE-LICENSE AND POST-SHIPMENT CHECKS. IF EMBASSY IS OF THE SAME VIEW, IT IS SUGGESTED THAT IT EXPLAIN THE SITUATION TO DEJAN DIMOV AND ASK WHAT RESOURCES ARE AVAILABLE FOR CHECKS OF THE BULK LICENSE TYPE. EMBASSY SHOULD EXPLAIN THAT SUCH LICENSES AFFORD MUCH MORE EXPEDITIOUS DELIVERY OF U.S. GOODS, ALBEIT WITH EUC'S AND THAT SOME SPECIAL PRECAUTIONS ARE THEREFORE NECESSARY BEFORE APPROVAL OF NEW CUSTOMERS UNDER THE PROCEDURE. IF EMBASSY OR CONGEN PERSONNEL COULD AT THEIR DISCRETION, VISIT FIRMS AT THE TIME DIMOV OR HIS STAFF DO, IT WOULD BE HELPFUL ALTHOUGH NOT ESSENTIAL. (INCIDENTALLY, COMMERCE IS CONSIDERING ASKING LATER LIMITED OFFICIAL USE

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THIS YEAR FOR A FEW POST-SHIPMENT CHECKS ON SELECTED BULK LICENSE TRANSACTIONS.)

6) IN ANSWER TO EMBASSY QUERY, COMMERCE DOES MAKE USE OF AVAILABLE WTDR'S. WHERE THERE IS NO WTDR, OR THE WTDR IS SIGNIFICANTLY OUTDATED, A NEW ONE SHOULD BE OBTAINED IN CONNECTION WITH THE PL CHECK. A SIMPLE REPORT THAT THE CUSTOMER IS AWARE OF APPLICABLE U.S. REGULATIONS AND INTENDS TO COMPLY WITH THEM WILL BE ADEQUATE FOR COMMERCE PURPOSES.

7) SINCE THE APPLICATIONS FROM MOTOROLA, PARTICULARLY THE FIRMS GORENJE AND HUTTUP VINOGRJE (THE LATTER ALSO FOR SHIPMENTS BY RCA) ARE AMONG THE OLDEST ONES, PRIORITY TREATMENT OF THESE APPLICATIONS WOULD BE APPRECIATED. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INSTRUCTIONS, INFORMATION EXCHANGE, POLICIES, LICENSES
Control Number: n/a
Copy: SINGLE
Draft Date: 07 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE171484
Document Source: CORE
Document Unique ID: 00
Drafter: JLB
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780279-0969
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780785/aaaactip.tel
Line Count: 151
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 4c506479-c288-dd11-92da-001cc4696bcc
Office: ORIGIN COME
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 BELGRADE 1641, 78 BELGRADE 3817
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2084439
Secure: OPEN
Status: NATIVE
Subject: PRE-LICENSE CHECKS ON PROSPECTIVE BULK LICENSE CUSTOMERS
TAGS: ESTC, YO, US
To: BELGRADE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/4c506479-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014